

## Message Text

SECRET

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EXDIS

FOR THE SECRETARY

E.O. 11652: XGDS-1

TAGS: MARR, MILL, PARM, UK, NATO

SUBJECT: FURTHER BRITISH DEFENSE CUTS

REF: LONDON 9767

1. I BELIEVE IT VERY IMPORTANT THAT SECRETARY TAKE THE INITIATIVE DURING HIS JULY 12 CONVERSATION WITH CALLAGHAN TO RAISE QUESTION OF POSSIBLE FURTHER BRITISH DEFENSE CUTS. VICE PRESIDENT DID NOT DO SO IN HIS MEETING WITH PRIME MINISTER LAST WEEK; FACT THAT HE DID NOT WILL TEND TO WEAKEN POSITION OF DEFENCE SECRETARY MASON IN LIKELY FORTHCOMING CABINET STRUGGLE ABOUT EXTENT TO WHICH PROBABLY INEVITABLE FURTHER CUTS IN BRITISH PUBLIC EXPENDITURE WILL FALL ON DEFENSE. DEFENSE WILL CERTAINLY HAVE TO TAKE AT LEAST SYMBOLIC CUTS IN ANY SITUATION LESS THAN A DISASTER. UNFORTUNATELY, THERE ARE MANY HERE WHO WILL INSIST ON ITS TAKING A DISPROPORTIONATE SHARE. REPEATED AND HIGH-LEVEL EXPRESSIONS OF US CONCERN ARE IMPORTANT IN PROVIDING SUPPORT FOR OPPONENTS OF CUTS. THIS MAY WELL BECOME A REAL PUBLIC ISSUE IN THIS COUNTRY AS BRITAIN GIRDS ITSELF FOR STANDARD-OF-LIVING-REDUCING ANTI-INFLATIONARY EFFORTS.

2. PARTICULAR POINTS WE BELIEVE SECRETARY SHOULD STRESS ARE THAT CUTS TEND TO BE IRREVERSIBLE, HAVING A "REVERSE RATCHET EFFECT." THEME THAT ONCE BRITS HAVE GOT THEIR  
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ECONOMIC HOUSE IN ORDER DEFENSE EXPENDITURE CAN BE IN-

CREASED IS, WE BELIEVE, AN ILLUSION, GIVEN POLITICAL CONTEXT IN THIS COUNTRY. SECONDLY, DEFENSE CUTS INEVITABLY REDUCE BRITISH "HEFT" IN INTERNATIONAL PICTURE, ERODING BRITISH SENSE OF ITS OWN ROLE AND COMMITMENT IN INTERNATIONAL AFFAIRS. THIS CANNOT HELP BUT REDUCE BRITAIN'S INFLUENCE AND VALUE AS AN ALLY TO ITS INTERNATIONAL PARTNERS. HOWEVER, PRECISE POINTS SECRETARY MAKES ARE PROBABLY LESS IMPORTANT THAN FACT HE WILL HAVE GONE OUT OF HIS WAY TO RAISE MATTER IN SERIOUS AND SOLEMN WAY WITH CALLAGHAN.

3. WE STILL DO NOT KNOW WHAT SECDEF SAID TO MASON IN MONTEREY (REFTEL). THE GRAPEVINE, RIGHTLY OR WRONGLY, INDICATES THAT THREAT WAS MADE TO CUT OFF INTELLIGENCE AND POLARIS COOPERATION IF FURTHER CUTS MADE. WE DO NOT FAVOR THREATS OF THIS NATURE WHICH HAVE A "CUT OFF YOUR NOSE TO SPITE YOUR FACE" QUALITY. HOWEVER, WE THINK IT CAN BE LEGITIMATELY SAID THAT OUR CLOSE AND UNIQUE PROGRAMS OF COOPERATION WILL BE INCREASINGLY VULNERABLE TO C.'TICISM IF BRITAIN'S ROLE AS A MILITARY PARTNER CONTINUES TO SHRINK. THIS IS NOT STATED AS A THREAT BUT A RECOGNITION OF INHERENT RELATIONSHIP BETWEEN CONTINUED COOPERATION IN SENSITIVE FIELDS AND POLITICO-MILITARY PAYOFF WHICH CAN BE EXPECTED AS JUSTIFICATION FOR THESE PROGRAMS. IN ANY EVENT, TO EXTENT THAT PM AND CALLAGHAN PERCEIVE SECDEF'S REMARKS AS REFLECTING DOD'S RATHER THAN USG'S POSITION WHILE MASON FEELS THAT SECDEF UNDERSCORED STRONGLY THAT HE SPOKE FOR USG, IT WOULD BE WISE TO CLEAR UP AMBIGUITY WHICH NOW EXISTS IN BRITISH MINDS. IF IT IS US POSITION, IT SHOULD BE CLARIFIED BY SECRETARY.

RICHARDSON

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